



COUNTY OF MONO

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Leslie Chapman
County Administrative Officer

January 9, 2017

VIA U.S. MAIL & ELECTRONIC MAIL

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Paul Rudder, Esq.
Drew Hild
452 OM RD, LLC
Highmark Mammoth Investments, LLC
PO Box 2127
Mammoth Lakes, CA 93546

Dear Mr. Rudder and Mr. Hild:

The County is in receipt of your September 13, 2016 updated proposal pertaining to a lease amendment for the Sierra Center Mall (SCM). This letter is a response to that proposal and is intended to provide information relating to the County's interest in, and potential scenarios for the future occupancy of, the SCM.

It is hoped that this information will assist you in preparing a revised proposal for County consideration (as Mr. Rudder indicated was forthcoming at the Board's November 16, 2016 meeting) which aligns with the County's interests and need, as expressed by the Board and summarized below:

1. The County is seeking the best location to provide service to its customers in a safe, comfortable and modest facility within the Town of Mammoth Lakes. The County has numerous goals for such a facility, including a convenient location, proximity to other agencies and transit, energy efficiency, security, privacy, as well as financial investment and asset creation.
2. The County has an obligation to its taxpayers to make efficient use of County funds for the maximum benefit of the community and its residents. This includes both short and long-term benefits.
3. The County does not wish to commit to a 20-year lease at the SCM, a term the County considers too long and which restricts future facility decisions.
4. The County is a stable government institution with an excellent credit rating. The County's current occupancy of nearly 50% of the useable space in Sierra Center Mall makes the County the de facto anchor of the plaza, greatly enhancing the

future leasing success of the property. It is therefore expected that concessions would be made in order to maintain the County's presence in the SCM.

5. The County does not wish to fund major tenant improvements to a building it does not or will not own, and therefore is interested in purchasing, rather than leasing, the SCM. The County is willing to consider an immediate purchase or a delayed purchase (the latter following a lease period of up to three years).
6. The County seeks physical and financial control over the building in which it resides. This includes the schedule of maintenance and construction activities that impact the County's use of the premises.

Based on the above and other considerations, the County would consider proposals for either of the following:

- 1. Market Rate Lease Agreement with Purchase Option in 3 Years.** The market rate lease would apply to the entire third floor (26,186 usable square feet), and a portion of the second floor (the current 4,258 usable square feet), for a total of 30,444 useable square feet. The agreement would include a building purchase option that could be exercised in 3 years for a price that is stated in the agreement. Based on information in its possession, the County expects the purchase price would be less than \$10 million. The County would consider mechanisms other than an option, provided they result in County ownership of the SCM in 3 years.

Any lease agreement must include: (1) rent abatement for non-performance relating to building conditions that impact the County's use of the premises; and (2) a renovation and maintenance schedule and corresponding rent abatement for failure to timely remediate substandard building conditions and life, safety and building code violations, including but not limited to those described in the Collaborative Design Studio Report.

- 2. Direct Purchase of the SCM.** As noted above, the County expects the purchase price to be under \$10 million. The County would consider owner financing and/or other mechanisms for this option.

Finally, any purchase would be contingent upon a thorough and favorable building inspection including all mechanical and building systems as well as structural integrity.

In addition, the Board of Supervisors has directed staff to provide it with a full financial analysis of the options available for future South County Facilities -- including both the options of constructing a new building on what has become known as the "McFlex Parcel," and the continued occupancy of the SCM.

The Board has requested this analysis as soon as possible, and staff is prepared to present a comparative analysis but understands that SCM intent is to revise the September 13 Proposal (as Mr. Rudder indicated was forthcoming in his November 16 comments).

In order for staff to deliver the requested analysis in the requested time frame, (by end of January) staff must have a revised Proposal no later than Tuesday, January 24. If a revised proposal is not received, then the fiscal analysis will by necessity be based on your September 13 proposal.

Thank you for your consideration and for your continued efforts to provide an option for the County's long-term facility needs in South County.

Sincerely,

A handwritten signature in blue ink that reads "Leslie L. Chapman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Leslie Chapman
County Administrative Officer